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BRIAND, WHY I AM NOT A SOCIALIST

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"THE NEW WAY" SERIES.

III.

Why I am not a Socialist

By

R. H. BRAND.

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NOTE.

In these post-war years all accepted political doctrines are undergoing challenge, and a vast number of intelligent people have lost the anchorage of political principle, and are drifting in bewilderment on a sea of conflicting ideas.

The pamphlets of which this is one are designed as a contribution towards clarifying this confusion. They are issued under the auspices of the Council of the Liberal Summer Schools. But they are not intended to preach a rigid party orthodoxy. Their aim is constructive study and enquiry rather than dogmatic assertion or acrid denunciation. Some of the writers are not even professed adherents of the Liberal party. But all have been invited to write because they have given special study to the subjects with which they have to deal. And all are united by two beliefs: the first, a deep dissatisfaction with many aspects of the existing order, at home and abroad; the second, a conviction that these evils cannot be cured by the glib repetition of sweeping formulæ, or by violence or class-conflict, or by mere destruction, but only by hard thinking and good will.

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WHY I AM NOT A SOCIALIST

MR. MAX BEERBOHM has recently depicted the young man of to-day gazing into the future, and the future is nothing but a large question mark. In this cartoon he epitomizes the present age. All classes question all things. Nothing is accepted without question; neither religion, nor science, nor economics, nor social custom, nor political tradition, nor, indeed, modern civilisation itself. If this universal unrest has its attractions and possibilities, it has also its dangers. We are no longer living in the days when political power was confined to those who had the strong incentive of self-interest to support things as they were; power is now in the hands of those who may often well consider they have the strongest incentive to alter all things, and who yet have no conception of the extraordinarily complex, intricate and closely woven nature of the system they look forward to transforming.

The margin of safety in a community such as ours, more highly artificial than any which has ever yet existed in the world's history, is not very great. We cannot afford to be too rash with experiments upon our system. Nor can we be certain that public opinion under universal suffrage will naturally condemn projects which are wholly unsound economically. We might have been justified in holding another view before the last four years. But when we consider the history of the Reparations question, and the extraordinary and lasting damage which economic ignorance can cause, we cannot be so sure.

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It is for these very reasons that the formation of a sound public opinion as to the true lines of reform is all important, and though I have not yet found it necessary to become a party man, I feel strongly that nothing is more important than that the historic Liberal party should play its part therein. The other two great parties of the State have taken their stand. The Conservatives, as is natural, support existing rights more or less ; the Labour party have tied themselves to Socialism. The opportunity exists for the Liberal party—if, and only if, it is true to its traditions of individual liberty and enterprise—gradually to formulate a policy of reform based on sound economic principles, and neither on reaction on the one hand nor a sterile socialism on the other.

The Labour Party's Case.

At the present moment it is the Labour party's programme which holds the field in the public mind. It is preached fervently up and down the country, and sometimes there seem indications that Liberals, feeling their impotence, will be tempted to throw in their lot with Labour and Socialism. I myself would regard such a step as fatal to the Liberal party's whole future, and it is my object, therefore, in this paper to analyse very briefly what I understand to be the Labour programme, and to consider whether there is no alternative path of reform on which to enter.

The plain man may well be confused. He listens on the one side to the vehement and high-pitched warnings of Lord Birkenhead and Mr. Winston Churchill as to the imminence of a socialist revolution—yet he feels uncertain ; on the other hand to the visions of Collectivists, Syndicalists and Guild Socialists of an entirely new-fangled and completely

satisfactory universe, and he feels still more uncertain. He sees, as all must see, great defects in existing society; and he knows that a great party like the Labour party could not have attained to its present strength without something in its creed which appeals to a great many decent, honest men and women. Nevertheless, great as existing defects may be, he has an instinctive feeling that most of the comprehensive remedies proposed would be worse. It is for this reason he would like to see them discussed and investigated, and it is herein that the importance lies of a moderate but thorough criticism of them.

The first thing necessary is to understand one's opponent's case. What is it that makes the strength of the Labour and Socialist parties?

(1) There is, first, the plain staring fact of the enormous inequalities of wealth, between gross poverty on the one side and great luxury on the other. There has always been and there will always be inequality of wealth. And inequality is not in itself an evil, provided that all may have the opportunity to provide themselves with sufficient for a civilised life. But in the past great wealth has been usually combined with great responsibility. Modern conditions, however, are developing another phenomenon, in the form of a rich class, not of landowners as in the past, but simply of money and investment owners, having often acquired their wealth by inheritance, who have no responsibilities to the community, whose "savings" are indeed useful to the community, but whose luxurious expenditure is economically harmful, and socially damaging to themselves and others.

(2) There is, secondly, the belief that this ownership of wealth is fortuitous, that it is not the outcome

of work beneficial to the community, but the result of conquest or grabbing of land in the past and of living now not by working but "owning" and profiteering.

(3) There is, lastly, the feeling that the few who own the great bulk of the fixed wealth of the country command, as a result, the destinies of the multitude, and exercise an autocracy of wealth over the community which is not tolerable. Put in other words, the "status" of the wage-earner is regarded as unsatisfactory.

From this it is simple and easy to pass to the belief that all would be well if this wealth could be taken from the few; that the real evil which alone blights modern civilisation is the bloated capitalist, the landlord, the absentee shareholder, the "profiteer." The working man is not an economist, and he easily accepts what has the merit at any rate of being an easy theory. It takes hold, indeed, of the crowded masses of the people, and the community is thus divided into trench warfare between labour on the one side and capital on the other; between those who regard the private ownership of capital as standing between themselves and welfare and liberty, and those who see in opposition to things as they are merely the red peril. We reach, then, very easily a situation like that between France and Germany, where no reasonable consideration of the fundamental problems at issue is possible.

The Facts About National Wealth.

The first essential is to examine the subject-matter before us. Some writers are inclined to decry basing one's ideas and policy on sordid figures, but in my view a knowledge of the facts, which can only be gained in this way, is an absolutely necessary start for the social or political reformer. It is owing to

an ignorance of them that reformers have hitherto gone round and round in circles. The first condition of sound progress is to recognise the limitations under which we work. In examining, therefore, the Socialist proposals to equalise wealth, the first step is to ascertain what is the wealth to be equalised. We are promised by our statisticians some post-war figures, perhaps next year. Meanwhile, the oft-quoted figures prepared by Dr. Bowley and Sir Josiah Stamp for the years before the war are our safest guide. The salient figures—based, it should be remembered, on pre-war prices—are the following: Dr. Bowley calculated the national income from home sources for the year 1911 at a total of £1,900,000,000, or less, excluding income from abroad of about £194,000,000. Of this total income £800,000,000, or 42 per cent., was received as wages, and £264,000,000, or 13 per cent., was received in small salaries or earned by those whose total income was under £160 per annum. Dr. Bowley, in fact, concludes that nearly 60 per cent. of the national income was *earned* by people whose income was under £160 per annum. The remaining 40 per cent., or £742,000,000 went to 1,100,000 income tax payers. Out of this total, £145,000,000 was earned; £190,000,000 at least was unearned (using these words in their Inland Revenue sense, "unearned" income being that earned as a result of past savings and not of present effort), £76,000,000 of the unearned income came from house property, and the remaining £407,000,000 was the total of all profits of trades and professions (excluding that going to persons having a total income of less than £160). Of this balance of £407,000,000 a good part went to shareholders.

In another place Dr. Bowley gives an estimate

of the distribution of wealth in a somewhat different form, and there he shows that in the year 1910 wage-earners, representing over 74 per cent. of the population, received 39 per cent. of the national income; a little over 20 per cent., being another intermediate class of persons not paying income tax and not receiving wages, and each on an average earning not more than about £80 per annum, received 18 per cent.; the balance of 45 per cent. went to the 6 per cent. of the population representing the income tax payers, 880,000 of these (receiving between £160 and £700 per annum) obtained 15 per cent., 200,000 (receiving between £700 and £5,000 per annum) obtained 22 per cent., and 12,000 (receiving £5,000 and over per annum) obtained 8 per cent., or £150,000,000. It is really this last group of 12,000 persons receiving on an average an income of £12,500 each which causes most of the criticism. If no one had over £5,000 per annum, we should probably not hear so much about inequality. But it should be noticed that, however disproportionate the share of this class individually, it only amounts to 8 per cent. of the total. Dr. Bowley makes another very interesting calculation when he estimates that of the total national income 62½ per cent. goes to labour, exertion or services in some form or other, and 37½ per cent. to property and ownership of capital. Dr. Bowley's final conclusion is that if all income termed unearned, *i.e.*, all income from property, investment and ownership, were nationalised, and if every earned income were reduced to £160 per annum, there would have been in 1911 at the outside £200,000,000 to £250,000,000 a year which, on the extremest reckoning, could out of home-produced income have been the target of attack by the Socialists,

and on their principles transferable. If this had been equally divided, and had not diminished or vanished in the process, and had been supplemented by another £90,000,000 per annum representing income from abroad brought home, then the average net income per average family of 4½ would have been £162. And this, bear in mind, is on the assumption that no one receives either profits, interest on capital, or rent, and that all means of production are nationalized.

These figures have been quoted in some detail because some very fundamental conclusion can be drawn from them.

The first is that the distribution of wealth is extremely uneven, and it is hardly open to doubt that the welfare of the whole community would be increased by a greater tendency towards equality.

The second is that the ownership of capital or land, *i.e.*, rent, interest and profits accounts for over one-third of the total, or in 1911, £810,000,000.

The third is that out of this £810,000,000 only 12,000 persons get an income of over £5,000 a year.

The fourth is that nothing like equality can be attained without the abolition of the whole present system of wealth, ownership and production.

The fifth is that, even if an equal division could be arrived at without in any way diminishing the national income, the amount due to each family would still be quite small.

The sixth and most important follows, namely, that greater production per head is far more important than a mere redistribution of wealth, and that every scheme of reform must in the main be judged upon its merits as an instrument for greater production.

What Does the Labour Party Propose?

Now, in the face of these facts, in its hatred of inequality and in its desire to improve the status of the worker and to give him greater freedom, what does the Labour Party propose? It has, in my opinion, come quite rightly to the conclusion that inequality, at any rate, is inseparable from private property. As Mr. and Mrs. Sidney Webb say in their latest book, a nation which chooses private property chooses inequality. The Socialists are quite right that rent, interest and profits accruing to private individuals are inseparable from the system of private property. It seems also to be the case that at different periods, and in different countries, the percentage of the total national income going towards rent, interest and profits has hitherto been not very widely different. A very eminent economist said to me the other day that the only thing which appeared equally fortuitous, and yet seemed as unchangeable, was the relative division of the human race into male and female. I may add, however, that it by no means follows that the percentage going to ownership could not be shared by a much larger number of persons than it is at present. The conclusion, therefore, of the Socialists is that since it seems hopeless greatly to modify this division, the division itself must be done away with. Private property must be abolished, and rent, interest and profits must either disappear or accrue to the State, the State becoming the sole owner of property yielding these returns. But, as Dr. Bowley also showed, only some £250,000,000 at pre-war rates, even at the extremest reckoning, would be available for direct distribution among the community, since the balance would undoubtedly be required for national saving, national expenditure and other such

purposes. But, as a matter of fact, it is not to be supposed that even this £250,000,000 could be distributed directly in the form of higher State salaries and wages to the State employees working on the farms or in the shops and factories from which it now accrues as rent and interest. It is certain that fundamental economic requirements would compel the State to charge its innumerable undertakings with rent and interest just as private owners must. Therefore this sum would not be available for a direct increase in wages and salaries. It would accrue to the State, and could be used to reduce taxation or on Government expenditure of different sorts.

It would thus appear that in return for the abolition of private property, and on the assumption that wealth neither increased nor decreased in consequence, the State would at pre-war rates, while paying everyone on an average salary or wage of £160 per annum, be able in addition either to relieve taxation, or to spend money on public works to the extent of £250,000,000 a year at the outside.

The Dream of Collectivism.

But, of course, all these calculations and arguments have simply no relation to real life at all, nor as to what would actually happen if full-fledged State Socialism were really introduced. The introduction of Collectivism as a complete system covering all branches of life is to my mind a mere dream of theorists, which can never conceivably be translated into fact. You have only to sit in an Underground carriage and read the advertisements to make up your mind on that. I did so the other day, read the advertisements opposite me, and found that these were some of the products which would have

to be produced by the State: Eno's Fruit Salt, *Eve* and *The Tatler*, the Perfect Pair of Picture Papers, Lipton's Tea, Jeyes' Fluid, Glosso, Glaxo, Kodaks, Norvic Patent prevents Varicose Veins, Venusa Face Cream, Petter Oil Engines, Onoto Pen, and Angostura Bitters. Of course, Socialists will say this is mere fooling. But it is not. It is the direct outcome of their official theory. If no profits or interest are to be allowed, and the State is not going to produce these and innumerable other such articles, then no one is going to do so. And yet certainly people are not going to do without them. And if Socialists ignore them, then their policy reduces itself to nationalising a few of the basic industries, like railways and possibly mines. In contact with real life it will cease to be a revolutionary and impossible plan for changing society, and come down to something very prosaic, which, even if brought into effect, will hardly produce any change at all in the great modern fabric. Perhaps you may think then that to attack State Socialism is like flogging a dead horse. But I suppose we must recognise that it is the official programme of H.M. Opposition, and take it seriously, if only for the reason I gave above, namely, that the immediate appeal to the electorate of any economic theory bears little relation to its truth or falsity. This being so, public discussion is necessary as a means of education.

Out of Touch with Reality.

I confess that, when I contemplate State Socialism as a policy, which it is actually intended to translate into real life, I hardly know where to begin, the arguments against it seem so innumerable and overwhelming to me. Perhaps that comes of having

spent some 12 years in British Government Departments which have brought me into touch with other Government Departments in South Africa, Canada, and the United States. The convincing argument against it is a knowledge of real life. Suppose a school of doctors arose to advocate that the control of our digestion and secretion of our glands should be taken over in future by the reasoning part of our brain. We should not pay much attention to them. And yet that is in effect what Socialist theories and those painstaking books by Mr. and Mrs. Webb propose to do with life itself. Does anyone who really knows human nature, who really grasps the truly immense complexity, intricacy and delicacy of national and international trade, industry and finance, actually believe that a Government could in this or any other country control and guide all these infinitely multifarious actions, which are now guided by supply and demand acting through the medium of prices, guided, it is true, often badly, and needing correction and adjustment by failures and losses constantly, and by crises sometimes, but still by these ruthless means adjusted? What do Mr. and Mrs. Webb propose as an alternative? How do they carry out in their Commonwealth that fundamental problem the determination of prices? They do not shrink from the problem. "The prices," they tell us, "at which the products of the national industries and services will pass into consumption or use will be determined by the Social Parliament, on the recommendation of its Standing Committee on Finance, according to the feelings and opinions of the community for the time being." Supposing such a system could ever work here, if this small island were the whole world, does anyone in his senses suppose prices could be so determined

in the great world as it is? Does anyone suppose that the "feelings and opinions of the community for the time being," even if assisted by the Courts of Efficiency Audit and Professional Honour, which Mr. and Mrs. Webb propose as a substitute for the Court of Profits, which guides the miserable capitalist, could really tell our Government all they wish to know about the prices at which to sell steel rails in the Argentine against the competition of the Steel Trust or cotton goods in West Africa against the Germans? I know well, speaking as a consumer, what my own feelings and opinions about the prices of things which I buy are, and I daresay other consumers share them. But whether they are a very safe economic guide I do not feel quite sure.

Saving and Spending Under Socialism.

I have never seen in any book on Socialism any proper consideration at all given to these fundamental economic problems of price and interest. Why, even in Mr. and Mrs. Webb's books, this importunate problem of interest, this wretched "living by owning" comes back at once again, however much they try to exorcise it. For in their Constitution for a Socialist Commonwealth they state that the Socialist individual will be encouraged to save, and apparently is to save enormously. His capital will be lent to the State "on such conditions as may be arranged (which may quite reasonably include a rate of interest, if this is found necessary or desirable)." In other words, there will be Socialist savers and spenders, Socialist rich and poor, the rich supplementing their State salary by interest—in fact, doing that dreadful thing "living by owning." Only they will have the advantage over the capitalist of to-day that their money will always be safe. They

will never lose, since they will always have the Government's guarantee. Presumably the Government will often lose, unless it is cleverer than anyone is now, and through the Government its citizens. But they will only know that through a lower standard of living generally, and not directly by losses of their own fortune.

The Foreign Trade Complication.

Nor have I seen any consideration of the immense difficulties that confront a Government when it begins to conduct international trade, to the extraordinary problems and controversies which would arise, if it were the British Government which ran the Cunard Line and exported Welsh coal, and had to enter into combines and cartels with the German steel industry. Our war experience is no guide whatever to the power of Governments to control industry. The two greatest problems of industry are capital and markets. If you supply an industry with all the money it wants, and undertake to sell all its products at a profitable price, the task of turning out the goods is simple. That is the only problem which faced the Government in the war. It started munition manufacturing with every problem solved.

I will say nothing as to many other unanswered economic difficulties, as to the principles on which wages and salaries are to be paid, whether in relation to needs or efficiency, as to how population is to be controlled if the State provides a livelihood ready-made for anyone who cares to come into the world, as to the principles on which men are to be discharged for inefficiency. These are fundamental problems which must be solved before any wholesale Socialism is possible, and for which in my candid opinion no

solution has been propounded. I will confine myself here to arguments which are applicable to gradual Socialism, to the taking over of certain large industries, which, of course, can be done, as they are merely small islands in the sea of private enterprise, and are supported by the existing economic fabric.

State Machine Already Overburdened.

State Socialism, even thus confined, has, I think, great dangers, political as well as economic. In the first place, it would be to add to a danger, which is already very threatening, to democracy. What do all experienced Parliamentarians tell us already? They say that the machine is in danger of breaking down owing to the enormous weight and complexity of the burdens laid upon it. And yet it is proposed to add an extension of duties, which would magnify these burdens immeasurably.

I will only just mention the dangers arising from the electorate being, to so large an extent, Government servants. I must admit that if we were all without exception Government servants we should presumably all be able to exert only an even pressure on our Parliamentary representative or candidate, and these dangers might nullify themselves, as the danger to the body ceases to exist when the atmospheric pressure within and without is identical. But until we reach that point, the drawbacks are obvious.

Slow-going Bureaucracy.

In the next place, from such experience as I have had, I am certain that the result of Governmental control of any industry must be a slowing down of the machinery. Under a Parliamentary system the final authority must be with the Minister, without whose consent no important decision could be taken.

Any of you who know overworked and perhaps inexpert Ministers know what it means to get a decision out of them. Take the coal-mining industry. Instead, say, of a thousand decisions, most of them right, some wrong, taken day by day throughout the country, you would get two or three, we hope all right, by the Minister. In one case the machine at any rate moves on ; things are done ; in the other case it is clogged. It is no good saying you can solve the problem by devolution. Even under private enterprise, where devolution is much easier, there is a limit which large institutions soon find out for themselves. But under public management devolution must take away Ministerial and Parliamentary control, and therefore mean bureaucracy and the ultimate stultification of Parliamentary Government. That is indeed one of the greatest dangers which the Labour party's policy brings with it.

Personal Responsibility the Essential Factor.

The longer I have experience of business the more I see that in the end everything in this uncertain world depends on personal management, personal capacity, personal initiative and enterprise. Firms come and go ; great businesses are built up and decay ; solely because they either have or lack the inspiration and foresight of some mind within them.

Again, production would be slowed down by the reluctance of Governments to take the risks upon which progress depends. Enterprise is the very life-blood of industry. Our theorists have, it seems to me, a very vague idea of the adventurous and risky nature of industrial and commercial life. Risk-taking, small and great, enters into every day's business. Losses, very great losses, are frequent,

and not to be avoided. It is impossible that Ministers, subject to the criticism of Parliament, should have the same courage and initiative as private persons venturing their own money, and the money of those who face and accept the risk with them.

Profits and Losses.

It is on this point that the Labour policy suffers from one of its greatest misconceptions. Profits are anathema to it. Excessive profits are undoubtedly an evil, and in this imperfect and complex world some persons will no doubt always find themselves in a position to make too great profits. Excessive profits may arise out of monopolies or semi-monopolies, or—and in recent years this has been by far the most fruitful mother of profiteers—they may arise out of monetary changes leading to rising or falling prices. Large profits again arise out of inventions which prove their use. The inventor, or at least the promoter, of the Gillette razor no doubt made large profits, as has Mr. Henry Ford. But I do not know whether one can say they were excessive, at least unless we say there is no additional benefit to be gained by using a safety razor or a Ford car. Large profits again are the necessary corollary of large risks. The greater the risk, the greater, inevitably, the profit demanded. I should say that most new ventures, whether they be new patents, or new schemes of development, or new mines opened out, are built up on a layer or so of lost capital. The promoter generally loses his friends' money for them. It is not far-fetched to say of profits and losses what Milton said of good and evil: "Good and evill we know in the field of this world grow up together almost inseparably; and the knowledge of good is so involved and interwoven with the knowledge o

evil and in so many cunning resemblances hardly to be discerned that those confused seeds which were imposed on Psyche as an incessant labour to cull out and sort asunder were not more intermixt. It was from out the rind of one apple tasted that the knowledge of good and evill as two twins cleaving together leapt into the world." In Mr. and Mrs. Webb's latest book on the Decay of Capitalism, I looked up in the index for the word "losses." I could not find it. There was an immense deal in the book about profits, but unless I am mistaken not a word on losses. Now losses in this imperfect world are one of the most constant and unpleasant companions of all men of business. The world is not a placid lake; it is a great ocean, moved by the most varied winds and tides. There are the rolling swells of the great cyclic movements of finance and trade, and the innumerable ups and downs of daily life. But change and uncertainty are everywhere. If, then, we can reduce risk—though we can never conceivably eliminate it—by keeping prices stable, by avoiding cycles of good and bad trade, by international peace, by the spread of information, we can reduce profits. Nevertheless, even now and in normal times, I do not believe profits in themselves represent on the average more than a moderate percentage on the capital at risk.

I would add too, that, even if profits were to go to the State, profits there must be. At any rate I am not able to conceive how a State undertaking would otherwise either meet the losses it would be bound from time to time to incur, or measure by any other means whether it were producing its products at a loss or a gain to the community. Profits normally earned are a measure of the economic utility of the business in question to the community.

Bureaucracy Begets the Unfit.

Again, I believe that State enterprise will generally involve an economic loss to the community, because it will be sheltered from the ruthlessness with which the system of private enterprise visits incompetence. As things are now, nothing can prevent the unfit going to the wall—if they insist on remaining unfit. There is a universal tendency among businesses as among human beings to put on fat, if they become too prosperous or lead too sheltered lives. In my experience I should almost say that a period of misfortune or depression is necessary to every business from time to time, in order that it shall be forced to get rid of its fat, to cut down its unnecessary expenditure, to pare away here and there so that it may again produce its product at the least expenditure of labour and capital to the community. It is often a very cruel process. It involves the community in responsibilities towards those who suffer from it. But it seems a necessary process, and it is going on silently and constantly day in and day out throughout the whole area of industry. A bureaucracy is sheltered from it, and a bureaucratic industry would rapidly result in consequence in a much greater expenditure of capital and labour to produce the same result, in other words in the economic impoverishment of the community.

And it is not as if, in recompense for perhaps a lessened production and a lowered standard of life, State Socialism were going to bring with it a greater liberty and more freedom of opportunity to the wage-earner or an alleviation of the monotony of his toil. To form a unit in a vast bureaucracy with his every movement ordered is not the ideal of any Englishman. The desire for greater opportunity and for a freer and more vital life is at the bottom of much of

the profound unrest in modern civilisation. But it is not to be cured by turning us all into Government servants. Public regulation we must have, and an increasing amount of it, no doubt, as we become more and more complex. But to put forward Government ownership as the beacon light of the future is to condemn any party to ultimate failure and sterility.

I do not wish to deny what is indeed obvious—the many shortcomings of private enterprise. There is great waste of effort, and waste of resources. I have always thought much of our industry, particularly perhaps engineering and coal mining, was carried on under somewhat antiquated conditions, in too small units. I have not enough experience to dogmatise. But certainly before the war we were far behind Germany and the United States in many respects, There is a great deal to be done to increase efficiency and much more could, I think, be spent with advantage on the country's plant.

The Proper Sphere for Government Enterprise.

Nor do I deny that there is a real and large sphere for Government, municipal and semi-public enterprise. Private enterprise looks for an immediate return. But there are many things, essential to our social life, which show no immediate return—I need only mention education or roads for instance. Wherever there are great undertakings required where the return cannot be measured or will be slow—for instance in the building of harbours and ports—or where it is necessary to look beyond the span of a man's life—as in forestry—public enterprise of some sort will probably be necessary. It may be indeed that in this country we have been too slow to embark on such schemes, just as it seems to me private enterprise has been slow to undertake, for

instance, the electrification of more of our railways or the reformation of the antiquated and extremely expensive supply of electric light and power for London. Moreover, in certain circumstances, as for instance in those surrounding house-building now, Government assistance may for the time being be the only way out of the pit we have got into. But the permanent solution of the problem is never to be found that way. What is required is that the earnings of our people by means of their profitable employment shall be sufficient to enable them to pay fair rents for good houses, so that private enterprise shall be encouraged to supply them when and where they are needed, under such town-planning and other regulations as are found desirable.

The more simplified and standardised a business, the less likely is the State to make a mess. Railways would be better suited for State management than mines, and mines than a merchant's business. But as for the threats of a resistless advance of State ownership, they leave me unmoved. Mr. Ramsay MacDonald, Mr. Snowden, and Mr. Webb may have their advance to the Marne, but the tides of human liberty will inevitably throw them back.

The Evils of Modern Civilisation.

So much for criticism, which is easy. I now come to consider in what direction our reforming energies should point, and this is a much harder task, in which it is far more difficult to be definite. I remember when I came back from South Africa with General Botha and General Smuts in 1909, when they brought back the new constitution for the South African Union, standing with the latter on the steps of the Hyde Park Hotel just after our arrival. It was the height of the London season, and the rush of life

struck us with great force after the simpler society of South Africa. General Smuts said that it made him feel that the course and onrush of modern civilisation was now too huge and rapid to be under any human control, that the great machine rolled onwards by its own momentum, to what end no one could say. The plunge of the nations into war soon after bore testimony to the truth of his words, and often since, and with increasing strength, I have felt—as so many feel in these days—that our present civilisation may be too intricate and top-heavy for the human beings who must attempt to guide and control it.

It is against the essentials of this civilisation itself, against the vast cities, against certain concomitants of large scale production of wealth and the factory system, without which the vast populations which they have brought into existence cannot be kept alive, that much, I should almost say, most, of the unrest and discontent of to-day is really directed. I believe it can be proved that there was actually more unemployment and far less material wealth in former and simpler ages for the mass of the people. But before the industrial revolution most of them lived at least under more natural conditions. They may have suffered greater hardships, but they were more like men and less like machines. The great bulk of our people in those days were compensated for their hardships by the natural joys they still experienced :—

> "While the Plowman neer at hand,
> Whistles ore the Furrow'd Land,
> And the Milkmaid singeth blithe,
> And the Mower whets his sithe,
> And every Shepherd tells his tale,
> Under the Hawthorn in the dale."

It is in the United States that one sees the natural developments of our civilisation even more clearly than here, and when I see vast cities like New York and contemplate the unnatural conditions always being intensified under which people live, I wonder for how many generations human beings can thrive under them. All this may be uncalled-for pessimism. Yet it is clear that there is much in modern civilisation which may perhaps gradually change itself for the better in ways which we cannot now foresee, but which cannot quickly be changed by any conscious action on the part of any great party in the State.

No Short Cut to Social Progress.

It is no good pretending that there is any one easy road or any one reform, or that anything better can be expected than a gradual improvement all along the line in international peace, monetary reform, education, knowledge, co-operation between labour and capital, humanity on the part of the employers, efficiency on the part of both; and I hope lessened ostentation and vulgarity on the part of the well-to-do. It is on greater knowledge and greater goodwill that so much depends. Governments themselves have, in comparison, small powers for good. Whenever now any serious difficulty arises, the press asks: "What is the Government going to do about it?" There is an obsession that twenty men sitting round a table in Whitehall can change at a word the fundamental characteristics of modern civilisation. This is where, if I may venture to criticise, I think Mr. Lloyd George is not always as clear as he might be. His speeches sometimes give the public the impression that there is something wonderful that can be done at once, especially by spending a lot of money. Mr. Lloyd George, for instance, recently suggested that

if we had spent £10,000,000,000 on housing instead of on war, the face of the country would have been changed. But is the problem quite as simple as that? Undoubtedly, it would have been vastly better for us to have spent that money on houses than fired it away in shells. But even then you would not have solved the problem if your people were still unemployed at the end, or could not receive wages sufficient to pay a proper rent for the houses built for them.

The real difficulty is that sound and lasting progress depends on many things being done concurrently. We are a small over-populated island in a great world. Our first need is a world at peace. Only by free and normal intercourse with a peaceful world can we possibly employ our constantly growing population. Our home trade may, indeed, be two-thirds of our total trade. But the prosperity of that two-thirds is inseparably bound up in the prosperity of the one-third of foreign trade. Then, secondly, if we have peace, we must not simply make use of it to add indiscriminately to our numbers. I suppose our material welfare is determined by the amount of wealth produced in relation to the number producing it. There must be with the means of production at our command an ideal population for this country, and we may have surpassed the ideal already. How are we going to limit our population to the number than can live civilised and happy lives? I am certainly not of opinion there are too many English men and women in the world. Can we solve the problem by emigration?

But, supposing these difficulties met, are there any other steps which can be taken towards greater equality of wealth and greater freedom and opportunity?

Inequality of wealth is not, as the Socialists would have us believe, in the main fortuitous. It results very largely from greater ability and saving power supplemented by the effects of inheritance. There are, of course, other causes, particularly as we can see in an exaggerated form in Germany at the moment, monetary causes. From the negative point of view, much may perhaps in time be done to diminish inequality by greater stability in prices and also perhaps by changes in the laws of inheritance.

Stabilize Prices.

We hear a great deal in these days of new methods to stabilize prices, and even to cause the disappearance of the trade cycles of alternating booms and depressions. Cambridge is, I think, particularly the home of a new theory, which would aim at complete stabilization of prices, thereby removing "profiteering" arising from price fluctuations. I do not think it is possible to exaggerate the good consequences, which would flow from eliminating present price uncertainties, and, if possible, the trade cycles of boom and depression, with the rise and fall in prices which accompany them. These alternations here and in other countries are the main cause of unemployment, and of how many evils in our body politic is not unemployment in turn the cause? To be sure of stability would be to do more to cure unemployment than all the insurance schemes, and all the schemes for Government relief works in the world. Unfortunately, we are far still from this ideal. The theory I refer to is that of a managed currency, prices being stabilised by means of a skilful adjustment of the discount rate. There are many difficulties in the way, which I cannot go into now. Perhaps I may express a personal opinion that I should myself

still prefer to rely on the gold standard, defective as it is, especially in these days, than entirely on the skill and economic knowledge of bankers harassed by politicians. With all its shortcomings, which may be serious in the next few years until the distribution of gold becomes more normal, I would still regard a return to the gold standard as the first essential, though our power to achieve it may depend in the main on causes outside our own control. When we have reached that, our next task will be to co-operate with other nations, and particularly the United States, in a policy calculated to keep the value of gold itself as stable as may be. There is no reason why much might not be achieved by such co-operation. Difficult as these subjects are, they are of absolutely first-rate importance, more so almost than any other, and no policy of social reform can neglect them.

The Problem of Inherited Wealth.

The other direction in which investigation is required is whether inequality might not be lessened by greater limitation of inheritance. I see my friend, Sir John Simon, couples with this the limitation of profits. The latter is a vague phrase, and I should regard such a policy as open to very serious dangers. It is by no means certain, too, that the limitation of inheritance may not have greater disadvantages than advantages. There is always the risk that it will diminish enterprise and saving. As a distinguished professor said to me the other day, one wants to treat the capitalists like one has learnt to treat bees. Under former crude methods of removing the honey the bees ceased to make more; now one has learnt how to keep on taking the honey from them without in the least diminishing their productive ardour. Unfortunately, I fear the capitalist

is a little sharper than the bee. Nevertheless, the subject is worth close investigation, particularly on the lines of the ingenious plan put forward by Professor Rignano, the Italian economist. I think it is unwise to extract from the man who actually makes them, while he is living, more of his profits than are now taken. But the argument is not nearly so strong against limiting the extent to which his remoter descendants at any rate may share in them. Wealth divorced from responsibility, the simple receiving of dividends like manna from Heaven, does not encourage the young man or woman who inherits them to play his or her part in building up society. All modern evidence goes to show it has an opposite effect.

Co-Partnership in Industry.

But these are negative means. Are there no positive means by which inequality may be diminished and ownership much more widely shared? The ideal, which seems to have so much in its favour, since it touches at the same time on the questions both of inequality and status, is that the wage-earner should be part-owner of the industry he is engaged in. It is this ideal which is the force behind Syndicalism and Guild Socialism, and also all schemes of profit-sharing. So far as it means that the wage-earner should as far as possible save and invest his earnings, preferably in his own industry, or, if not, in investment of some sort, I am heartily in favour of it. Indeed, I think that it might ultimately transform the whole problem. The real overwhelming obstacle, as it seems to me, against any great advance in social conditions now is that employers and employed spend the time fighting one another which they should spend in co-operating in their common task. The social army is engaged in fighting

itself, the officers on one side of the trench, and the men on the other. The leaders of Labour see the necessity of unity, and they propose to find it by eliminating all employers, and substituting either the State or the Guild or the Syndicalist organisation. It is not to be found that way. There is no peculiar right entitling the railwaymen to own the railways, the miners the mines, the bank clerks the bank, the waiters the hotel, or the scouts the college. Nor, even if they were to confiscate the present owners, could they maintain their ownership? It is not possible for the workers, or generally for the existing shareholders in each industry to provide the capital required in that industry. A pool of saving in the whole community is required which can be directed towards developing the industries hungry for more capital. That being so, those who provide the capital and take the risks are bound to ask for financial control. I am a director of a big company with something like £9,000,000 capital and about 1,900 employees. We require something like £500,000 a year for new expansion. The 1,900 employees certainly cannot find it. Why should the investors, who do find it, do so, unless they have confidence in the management, and the ultimate power to change it? Mr. Smillie is rightly keen on mimimising accidents in mines. When he has taken over the mines, he must raise some millions to provide appliances. The miners will not be able to lend them to him; I doubt if he can raise prices to the consumer sufficiently to find the money, and still employ all his miners. He must turn to the despised investor, and why should he have confidence in Mr. Smillie? Every new enterprise or invention requires money that those to be employed on it cannot provide. Is it to be supposed that, if I decide to put £20,000

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into developing a new invention and collect 20 mechanics to work it, I shall put the control of the whole affair into their hands?

A Share in Profits and Interest.

The Labour party does not back up such claims. But it teaches up and down the land that investment, interest and profits are wrong, that living by owning and the functionless shareholder are despicable. Furthermore, it sets its face generally against payment by results, which, properly regulated, is a form, and by far the simplest and most effective form of profit-sharing. It thus condemns officially what I believe to be the most hopeful lines of advance. I am quite aware of all the great difficulties in the way of small investments. The wage-earner has generally not much, often nothing, to invest; in any case, therefore, progress must be slow. Moreover, one great difficulty arises from the very fact which the whole Labour Party continues to ignore, namely, the risks involved in investment. A man with small savings cannot afford to take the ordinary industrial risks, he must get his savings back when he wants them, without loss, and he must get a fair return in interest. The War Savings Certificates were created to meet these conditions, but industrial shares certainly do not. You cannot risk your money in industry and be certain to get it back whenever you want to without loss. If you could, profits would not exist.

Nevertheless, it is in these directions of payment by results, of investment, and, if possible, profit-sharing, made as safe as may be, that I should look. There can be an infinite variety of schemes adapted to different industries, and if they were successful, not only would the savings of the country largely increase, but the rate of interest might go down with

accruing advantages to the whole community, and the share of the national income arising from property would be divided among a much bigger percentage of the population. The proper line of reform, then, is exactly the opposite of that preached by the Labour party, namely, to recognise the necessity of profits and interest and to foster their division among a much larger section of the people. The interests of all classes would then tend to be identical and not antagonistic, and the whole population would gradually learn on what the prosperity of industry depended.

It is undoubted that, in our competitive industries at least, where we have to win our way against foreign nations, we must be content in the long run either with the same standards of life as they are, or by the greater use of capital and greater efficiency turn out products as good, or better, with less effort. And not only in our competitive industries, because our whole industrial life is in fact one unit. If a non-competitive industry like the railways demands a higher scale of wages than is (other things being equal) demanded by railwaymen abroad, then our carrying charges will be higher than theirs, our products will be hampered, and we shall suffer from unemployment. Who can say what our unemployment is in the main due to—international trade depression and the Ruhr, or monetary policy at home, as some of our currency experts inform us, or to the fact that those sections of the community with the strongest bargaining power may be demanding a scale of life which, unfortunately, we may not as a whole be able to afford?

The Outline of a Social Policy.

In trying to give a bird's-eye view of my theme, I have, I am afraid, been driven to great, perhaps

too great condensation. Every subject dealt with requires really as much discussion as I have given to the whole. I fear, too, you may consider the proposals for a policy which I indicate as extremely vague. I admit they are. But, as I say, I know of no panacea. What we want is to raise the level of existence of our whole population, so that their material comfort and their opportunities for self development and education should be greater. In the long run these possibilities will depend on the amount of wealth per head we can produce, on our producing more at any rate than we do now with the same expenditure of effort. For this we require international peace, a not over-abundant population, a financial policy leading to stability of prices, an increase of saving, particularly, if possible, saving by the wage-earning class, and co-operation between employers and employed in all steps tending to efficiency. These outlines of a policy are, indeed, vague enough, but it would be to deceive ourselves not to admit and state that it is upon such matters that our future welfare depends.

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